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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
NORTH CENTRAL DIVISION

PROCEDURE FOR DETERMINING ELIGIBILITY AND COMPLETING
APPLICATIONS FOR CORN LOANS UNDER THE 1937-38 CORN-
LOAN PROGRAM

[For Use by County Committees]



INTRODUCTION

The 1937-38 corn-loan program is the first of several corn-loan programs to be conducted in cooperation with the service facilities made available by the county agricultural conservation committees of the Agricultural Adjustment Administration. This change in administrative policy has been designed to enable applicants for loans and participants in the program to look to a federally sponsored local organization for service, and to emphasize the fact that corn loans are but one part of the national program for agriculture. It is important, therefore, that all committeemen serving in this important work acquaint themselves with the various phases of the program so that they may be able to render such service as will surpass the record established in connection with previous corn-loan programs.

HISTORY OF CORN LOANS

In 1926 the State of Iowa enacted legislation permitting the sealing of grain in storage structures on farms and the issuance of warehouse certificates in the nature of negotiable instruments respecting such cribs. Other States followed by enacting similar laws, but none of these laws were widely used until late in the fall of 1933 when the first Federal corn-loan program was inaugurated. This first program was made possible through the creation of the Commodity Credit Corporation, a Delaware corporation organized by the Secretary of Agriculture, the Governor of the Farm Credit Administration, and the Chairman of the Reconstruction Finance Corporation. The funds for subscribing to the original capital stock of this corporation were made available by the President by Executive order, out of funds appropriated as a part of the National Recovery Act.

The first corn loan was made at a rate of 45 cents per bushel, and was announced at a time when the farm price of corn varied from 27 to 35 cents per bushel in the Corn Belt. Each year since its inception a corn-loan program has been made available to farmers (last year's program was designed as a seed-corn conservation measure), and each of these programs has been conducted and liquidated in such a manner as to establish them among the most successful of governmental financial operations.

PART I. THE 1937-38 CORN-LOAN PROGRAM

The 1937-38 Corn Loan Program follows closely the same general lines of previous programs; however, there have been several important features added to it and several changes for ascertaining eligibility for participation and in administering the plan this year.

The loan rate in this program is 50 cents per bushel. Loans are to become available to eligible producers on December 1, 1937, and will continue available until April 1, 1938. All notes are to be made payable 10 months after the date of making, but in any event on November 1, 1938. Loans draw 4 percent interest.

PART II. APPLICANTS

In the future, farmers should be instructed to first make application for Federal corn loans to the county agricultural conservation committees. It will be necessary, therefore, for committeemen and the employees of the county office to explain the program to such applicants and make a preliminary determination as to the eligibility of the producer for a loan and the eligibility of his corn as collateral for a loan. Sections 2 and 3 of the loan agreement (1937-38 CCC Corn Form A, hereinafter referred to as the loan agreement), and section 1 of the instructions concerning the making of loans (1937-38 CCC Corn Form 1, hereinafter referred to as Corn Form 1), refer to eligibility and should be understood thoroughly before any determination relating to eligibility is made. Before the producer is advised concerning the sealing of his corn, a preliminary determination should be made to ascertain his eligibility for a Federal corn loan. In making preliminary determinations, the committeemen should question the applicant concerning the storage structure containing the corn in order to ascertain its eligibility. A careful study of the instructions for preparation of corn sealer's work sheet (1937-38 CCC Corn Form 2, hereinafter referred to as Corn Form 2), will enable the committeemen to make the preliminary determination as to storage structures. The producer should be questioned also as to the location of his farm, so that a check can be made of the performance records in the county office in order to determine that the producer participated in the 1937 agricultural conservation program. The procedure for determining this requirement is outlined under the heading "Eligibility."

It should be ascertained also whether the corn was produced by the producer or acquired by him. If it was acquired by the producer, the name of the person from whom it was acquired will be necessary in order to determine if the seller can properly execute section 14 of CCC Corn Form A. This requirement is discussed also under the heading "Eligibility."

It is recommended that these preliminary determinations be made thorough enough so that the obvious cases of ineligibility are eliminated before the producer is asked to go to any trouble or expense in connection with preparing the crib or sealing it.

After making the preliminary determinations as to the eligibility of the producer for a loan, the county committee or the applicant should immediately notify the authorized State sealer serving the area where the applicant's corn is located, of the applicant's desire to have his crib or cribs sealed. County committees will work in close

cooperation with county warehouse boards or county warehouse inspectors so that every phase of the loan-program work will be expedited.

PART III. SEALER'S WORK SHEET AND REPRESENTATIVE SAMPLES OF CORN

The sealer will proceed with his work in accordance with the instructions issued by the State warehouse supervisory authority and instructions for preparation of corn sealer's work sheet. The county committee will furnish to authorized State sealers supplies of sealer's work sheets (1937-38 CCC Corn Form K, hereinafter referred to as sealer's work sheet) and supplies of moisture-test form (1937-38 CCC Corn Form H, hereinafter referred to as moisture form), and the franked and addressed moisture-proof bags used to ship representative samples of corn to the State agricultural conservation offices.

In order to expedite the transmission of representative samples of corn offered as collateral to a loan, it is suggested that some person authorized by the county agricultural conservation committee sign the supply of moisture-test forms given to sealers. This will, in most cases, enable the sealer to complete the forms, insert them in their respective containers (between the inner cellophane envelope containing the corn sample and the outer kraft envelope so that the moisture-test form will not absorb from, or import moisture to, the corn sample), and place them in the mail for transmission to the State agricultural conservation offices, without returning to county agricultural conservation offices.

PART IV. ELIGIBILITY

On receipt from the sealer of the completed corn sealer's work sheets, a filing folder should be prepared for each work sheet. This filing folder will be used as the file for copies of other loan material subsequently prepared or received. Within a day or two after receipt of the work sheet, there will be received from the State agricultural conservation committee the completed moisture test form, reporting the moisture content of the representative sample of corn submitted by the sealer. The moisture content of the representative sample will be reported in whole numbers. In the event that the moisture content is 20 percent or less and no adverse report is noted on the moisture test form under the heading of "Special Remarks," which states that the corn is ineligible as collateral for a loan, steps should be taken to complete the final determination as to the eligibility of the producer and his storage structure for a loan. This will require a verification of the preliminary determination whether the producer has received or will receive a payment under the 1937 agricultural conservation program in such county. This determination for eligibility can be made as follows:

If a person is an owner or operator with respect to only one farm in the county, insofar as the 1937 agricultural conservation program is concerned, such person is eligible for a corn loan with respect to such farm:

1. If a properly prepared application for payment has been completed for such person and the amount entered on NCR-116, section VII, item 13, is more than zero; or

2. If a properly prepared application for payment has not been completed for such person and on a properly prepared NCR-114 for such farm section III, item 16 (g), is less than section IV, item 4 (b), and if such farm is in area A, section III, item 1 (g), is not more than section IV, item 6 (b).

If a person is an owner or operator with respect to more than one farm in the county, insofar as the 1937 agricultural conservation program is concerned, such person is eligible for a corn loan on a farm in such county—

1. If a properly prepared application for payment has been completed for such person for such county and the amount entered on NCR-117B, section XI, item 10, is more than zero; or
2. If a properly prepared application for payment has not been completed for such person for such county and form NCR-114 has been properly prepared for each farm owned or operated by such person in such county, and as a result of the following operations item (b) is less than item (d) and if such county is in area A, item (f) is not more than item (h).
 - (a) For each NCR-114 covering a farm owned or operated by such person in such county, multiply section III, item 16 (g), by section IV, item 3 (c), of such NCR-114;
 - (b) Add the results obtained under item (a);
 - (c) For each NCR-114 covering a farm owned or operated by such person in such county, multiply section IV, item 4, (b), by section IV, item 3 (c), of such NCR-114;
 - (d) Add the results obtained under item (c);
 - (e) For each NCR-114 covering a farm owned or operated by such person in such county, multiply section III, item 1 (g), by section IV, item 3 (c), of such NCR-114;
 - (f) Add the results obtained under item (e);
 - (g) For each NCR-114 covering a farm owned or operated by such person in such county, multiply section IV, item 6 (b), by section IV, item 3 (c) of such NCR-114;
 - (h) Add the results obtained under item (g).

If the county agricultural conservation committee has any doubt whatsoever whether the applicant will be eligible to receive a payment under the 1937 agricultural conservation program in the county in which application for a corn loan is made, the question shall be presented to the State committee. The county committee will be advised in writing by the State committee whether such applicant is eligible to receive a payment under the 1937 agricultural conservation program in the county in which application for a corn loan is made.

The next step in determining the eligibility of the producer for a corn loan is to examine carefully the sealer's work sheet. In examining this, reference should be made to the informational data contained in instructions for preparation of corn sealer's work sheet. It is difficult to add any additional instructions not reported in these instructions to be followed in determining the eligibility of the storage structure containing the corn; however, it should be remembered that because a sealer's work sheet is completed does not indicate that the crib is suitable or proper for storing corn as collateral to a Federal corn loan. Authorized State sealers are required to seal every crib or structure meeting State requirements, but this does

not mean that it meets the requirements for a Federal corn loan; hence, it is very important that all points in the sealer's work sheet be checked against the information contained in these instructions. Reference should also be made to paragraph (c) of section 1 of 1937-38 CCC Corn Form 1 (hereinafter referred to as Corn Form 1) before a final decision as to the eligibility of a crib is made.

The final step in checking eligibility for a loan relates to the corn itself. The corn must be of the 1937 crop and must have been produced by the applicant (or for him by a producer who would also be eligible for a Federal corn loan if he were making application for a loan), as a landowner, landlord, farm operator, or tenant, in a county designated in section 2 of Corn Form No. 1. In the event the applicant for a loan has acquired the corn on which he expects a corn loan, it will be necessary to determine the eligibility of the producer who produced the corn as well as that of the producer who acquired it. See paragraph (b) of section 1, Corn Form 1, paragraph (a) of section 3 and section 14 of CCC Corn Form A.

After these determinations have been made and it is found that the producer is eligible for a Federal corn loan, the next step is to compute the amount of the loan. In doing this, a careful check should be made of the computations of the sealer as reported in the sealer's work sheet. After it is determined that the quantity of corn to be reported in the warehouse certificate is properly stated in item 24 of Corn Form K, the correction for moisture content should be made. (This is to be made in accordance with section 6 of Corn Form 1.) The correction will be computed on a percentage basis; that is, a 2-percent deduction in quantity from the quantity of corn reported in the warehouse certificate, as reported in item 24 of Corn Form K, for each percent of moisture over 14 percent. (No corn is to be eligible which by moisture test of a representative sample is reported by the State agricultural conservation office to contain more than 20-percent moisture.) Thus, if the State agricultural conservation committee reports on Corn Form H that the sample tested showed 19-percent moisture, a 10-percent deduction in volume from the quantity of corn reported in the warehouse certificate is to be made in determining the quantity of corn on which the loan is to be based.

After the quantity of corn has been computed on which the producer's loan is to be based, the producer should be notified of his eligibility and the amount of the loan for which he is eligible. He should also be advised to come to the office of the county committee to complete the loan documents.

PART V. LIENS

The sealer will secure from the applicant for loan the names of lienholders having liens in connection with the corn offered as collateral to the loan. These will be listed in item 25 of the sealer's work sheet.

Prior to the preparation of the note and loan agreement, it is a desirable practice for the county committee to check the list of lienholders supplied against the county records to be certain that all existing liens of record in force with respect to the corn are known. These records are maintained by the county officials with whom the duplicates of the warehouse certificates are filed and are

listed in section 5 of Corn Form 1. In those places where the county committee office is located in the county-seat town, this will be an easy matter. Some person connected with the county committee office can visit the office (usually located in the courthouse) having the records as to liens. These records are so maintained that once the method of keeping them has been explained to the representative of the county office by the person in charge, he will have no difficulty in quickly ascertaining the existence of any liens of record with respect to corn offered as collateral to a loan. It will not be necessary to have an abstract prepared of any outstanding liens, but the person making the investigation should make a memorandum of them so that steps may be taken to secure waivers of the lienholders. Section 11 of the loan agreement provides for the listing of lienholders and their waivers. Section 9 of Corn Form 1 gives this duty to the producer, but past experience indicates that it probably can be handled very conveniently by the county agricultural conservation office, and a real service will be rendered the producer if this is done.

PART VI. CONSENT OF STORAGE

Another service which the county agricultural conservation office can conveniently render is that of securing the consent of storage required by section 10 of Corn Form 1 and section 13 of Corn Form A. In many instances this may be done at the same time that the landlord's waiver as a lienholder is secured, since the landlord often has a lien on the corn of the producer. In the event the landlord is represented by an agent, or if a person acting in a fiduciary capacity is handling the interests of the landlord, reference should be made for the execution of documents, such as the consent of storage and waiver of lien, to ACP-16, instructions on signatures and authorizations.

PART VII. COMPLETION OF LOAN AGREEMENT

The corn producer's note and the loan agreement (which are parts of Corn Form A) are to be prepared for signatures in the county office. It is not necessary that the producer sign the note in the county office but it is important that the county office secure the name of the bank or lending agency to whom the producer plans to sell the note, if the loan is *not* to be a direct loan. As is indicated on Corn Form 1, each loan agreement is to be assigned a serial number which is to be used in connection with the State and county code number. Such serial numbers shall be assigned beginning with the number "1" and shall be assigned consecutively. These numbers are also to be listed on the note.

Section 1 of the loan agreement requires (1) the name of the State issuing the warehouse certificate(s), (2) the name of the county in which the certificate is issued, (3) the certificate number(s), (4) the number of bushels of corn reported in the certificate(s), (5) the percentage of moisture of the representative sample(s), (6) the quantity of the moisture deduction, (7) the number of bushels used as a basis for computing the loan, and (8) the amount of the loan. The amount of the loan in dollars must conform to the amount listed in the note. Paragraph (c) of section 3 requires a statement as to tenancy. This section supplies the information necessary for the completion of sec-

tion 13. Section 10 provides for the signatures and witnesses to the signatures to the loan agreement. Instructions on signatures and authorizations are to be made in accordance with Form ACP-16. Section 11 refers to liens and waivers of liens. Section 12 is the sealer's or inspector's certification and must be executed by the sealer or inspector who issued the warehouse certificate(s). Section 13 refers to consent for storage. Section 14 refers to corn represented by a warehouse certificate listed in section 1, which was produced by some other person than the producer applying for the loan. Section 15 provides for the certification by a member of the county agricultural conservation committee for and on behalf of the county agricultural conservation committee. After the preparation of the note and loan agreement, it should be carefully checked to be sure it is complete and proper. If the warehouse certificate(s) representing the corn is (are) available, it is a good practice to check this (these) also in the county office.

PART VIII. INSURANCE

There are two types of insurance coverage used in connection with the corn-loan program. These coverages are referred to as primary insurance and secondary insurance. The producer must obtain the primary insurance coverage and evidence of the same in the form of a completed certificate of insurance showing that the provisions of section 11 of Corn Form 1 have been met before it is possible for him to secure his loan.

The secondary insurance refers to the blanket policy issued to the Commodity Credit Corporation to protect it with respect to any errors or omissions in the primary insurance coverage (example: Failure of primary insurance company to pay loss) and also against loss on account of theft, conversion, and certain other risks not covered by the primary insurance carried by producers. The cost of this insurance will be added as a charge to the amount of the loan at the time the loan is repaid. The rate of this insurance is $1\frac{1}{2}$ cents (\$0.015) per \$100 per month on the daily average balance of loans carried by the Commodity Credit Corporation. (In the past, the rate of this coverage has been 2 cents (\$0.02) per \$100 per month.) The charge made to the borrower is only for that time that his loan is carried by the Commodity Credit Corporation. Banks and other lending agencies desirous of this type of insurance coverage (in addition to the primary insurance carried by the producer) for the period of time they carry this paper, may obtain such coverage under the Commodity Credit Corporation's blanket policy by negotiating directly with the Commodity Credit Corporation.

County committee members in explaining the corn-loan program to local lending agencies should point out that the bank or lending agency making corn loans on Commodity Credit forms assume the risk incidental to losses covered by this type of insurance while this paper is in the hands of lending agencies, and, therefore, it is a very desirable practice for such lending agencies to procure coverage under the Commodity Credit Corporation's blanket policy to protect themselves against such risks.

PART IX. DIRECT LOANS

In the event the producer desires to transmit his note and loan agreement directly to the Commodity Credit Corporation, as is pro-

vided for in section 13 of Corn Form 1, it will be necessary for 1937-38 CCC Corn Form B to accompany the note and loan agreement, warehouse certificate duly stamped by county official showing it has been filed or recorded according to section 5 of Corn Form 1, and the insurance certificate. Corn Form B will be prepared in the office of the county committee and requires the certification of the county committee. This certification is only for the purpose of identifying the person transmitting the note and loan agreement to the Commodity Credit Corporation.

PART X. RECORD OF CERTIFICATIONS

A summary record of all certifications made by county agricultural conservation committees in section 15 of the loan agreement recommending producers for corn loans will be maintained on NCR-CL-102, "County Committee Report of Corn Loans Certified." This form is to be prepared in quadruplicate, one copy to be retained in the county office, one copy to be sent to the State agricultural conservation committee, one copy to be sent to State warehouse supervisory authority, and one copy to be sent to the North Central Division, Agricultural Adjustment Administration, Washington, D. C. These copies are to be forwarded to the above offices on the 16th and 1st days of each month during the loan period.

PART XI. OUTLINE

The following outline presents the various steps involved in connection with making a corn loan and is supplied as a guide for county agricultural conservation committees:

1. Producer inquires at county conservation office for information regarding a Federal corn loan.
2. County conservation committee (member or employee) discusses the following items with the producer:
 - a. Eligibility of producer.
 - b. Eligibility of producer's corn under conservation program.
 - c. Probable eligibility of corn as to quality.
 - d. Probable eligibility of crib structure.
3. Producer:
 - a. Makes preliminary application to county warehouse board or authorized sealer for inspection.¹
 - b. Agrees to "level off" corn in crib and securely enclose crib before sealer's arrival.
 - c. Pays preliminary sealing fee (where such fee is required).
4. Sealer:
 - a. Visits farm where corn is stored.
 - b. Makes preliminary inspection of corn and crib.
 - c. Takes representative sample for moisture test and places same in moisture-proof envelope.
 - d. Prepares moisture-test form for county conservation committee and inserts same between inner and outer envelopes.
 - e. Measures crib and stored corn.
 - f. Completes corn sealer's work sheet.

¹ In Missouri the producer must first secure a farm warehouse license from the county clerk.

- g. Issues warehouse certificate (may defer issuing it in order to have same typed by county committee).
- h. Places State seal on closed crib.
- i. Forwards above sample to State agricultural conservation office.
- j. Delivers the corn sealer's work sheet to county conservation committee.
- 5. State committee:
 - a. Receives sample.
 - b. Makes moisture test.
 - c. Records moisture content.
 - d. Reports moisture content to county committee.
- 6. County committee:
 - a. Receives moisture report.
 - b. Reexamines corn sealer's work sheet.
 - c. If corn and crib are both on the borderline of acceptability, the county committee may make an independent inspection of the corn and crib before determining eligibility for a Federal corn loan.
 - d. Notifies producer of eligibility.
 - e. Types warehouse certificate if so requested by sealer.
 - f. Has clerk check chattel records for lienholders.
 - g. Prepares note and loan agreement for signatures.
 - h. Prepares producer's letter of transmittal if loan is to be made directly with Commodity Credit Corporation.
- 7. Producer:
 - a. Secures consent of storage from landlord.
 - b. Secures waiver of lienholders.
 - c. Secures insurance certificate on corn collateral.
 - d. Secures certification of sealer on loan agreement.
 - e. Secures waiver of spouse.
 - f. Signs warehouse certificate before notary.
 - g. Executes note and loan agreement.
 - h. Files duplicate copy of warehouse certificate with county recorder and has original copy stamped to that effect.
 - i. Submits all loan papers to county conservation committee for final examination and certification.
- 8. County committee:
 - a. Completes examination of all loan papers.
 - b. Certifies loan agreement.
 - c. Files sealer's work sheet, moisture test forms, etc.
 - d. Makes record of all loans and sends semimonthly reports to State conservation committee, State warehouse supervisory authority, and North Central Division, Washington, D. C.
- 9. Producer:
 - a. Pays balance due on his sealing fees.
 - b. Submits note and loan agreements, warehouse certificate, and insurance certificate to lending agency and receives loan.
- 10. Lending agency:
 - a. Sends advice of loan to Commodity Credit Corporation.

